



華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited

2016 Annual Results

20 March 2017



Disclaimer

The information in this presentation has been prepared by China Resources Pharmaceutical Group Limited (the "Company") for use in presentations by the Company and does not constitute a recommendation regarding the securities of the Company.

Although care has been taken to ensure that the facts stated in this document are accurate, and that the opinions expressed are fair and reasonable, the contents of this document have not been independently verified and certain information contained in this document may differ from the Company's disclosure documents. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained herein. The Company shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment without notice and such information may change materially. This presentation is based on the economic, regulatory, market and other conditions as in effect on the date hereof.

It should be understood that subsequent developments may affect the information contained in this presentation, which neither the Company nor its representatives are under an obligation to update, revise or affirm.

The information communicated in this presentation contain certain statements that are or may be forward looking. These statements typically contain words such as "will", "expects" and "anticipates" and words of similar import. These forward-looking statements reflects the current view of the Company with respect to future events are based on a number of assumptions about the Company's operations and factors beyond the Company's control and are subject to significant risks and uncertainties, and, accordingly, actual results may differ materially from these forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this document. The Company shall not have (a) any obligation to update on further changes to such information or to correct any inaccuracies or omissions in this document nor (b) any liability in respect of the use of, or reliance upon, the information contained herein by you or any person to whom the information herein is disclosed.

This presentation and the information contained herein do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall they or any part of them form the basis of or be relied on in connection with any contract or commitment whatsoever. The securities of the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any State securities laws in the United States and may not be offered, sold or delivered within the United States absent from registration under or an applicable exemption from the registration requirements of the United States securities laws.

The contents of this document have not been reviewed by any regulatory authority in any jurisdiction. This presentation and the information contained herein are being furnished to you solely for your information and may not be reproduced or redistributed to any other person, in whole or in part. In particular, neither the information contained in this presentation nor any copy hereof may be, directly or indirectly, taken or transmitted into or distributed in the United States, Canada, Australia, Japan, PRC, Hong Kong or any other jurisdiction which prohibits the same except in compliance with applicable laws. Any failure to comply with this restriction may constitute a violation of U.S. or other jurisdiction's securities laws.

No invitation is made by this presentation or the information contained herein to enter into, or offer to enter into, any agreement to purchase, acquire, dispose of, subscribe for or underwrite any securities or structured products, and no offer is made of any shares in or debentures of a company for purchase or subscription except as permitted under the laws of Hong Kong. No money, securities or other consideration is being solicited, and, if sent in response to this presentation or the information contained herein, will not be accepted.

By reviewing this presentation, you are deemed to have represented and agreed that you and any customers you represent (a) are either (i) a "qualified institutional buyer" (within the meaning of Regulation 144A under the Securities Act), or (ii) outside of the United States; and (b) are "professional investors" as defined in the Securities and Futures Ordinance (Cap 571 Laws of Hong Kong) and any rules made under that Ordinance.

This presentation and the information contained herein are strictly confidential. You are agreeing to maintain absolute confidentiality regarding the information contained in this presentation. These materials are given to you solely for your own use and information and no part of this document may be copied or reproduced or redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organization/firm) in any manner or published, in whole or in part, for any purpose. Any failure to comply with these limitations may constitute a violation of law and may lead to legal or regulatory action.



Overview



2016 Highlights



Business Review



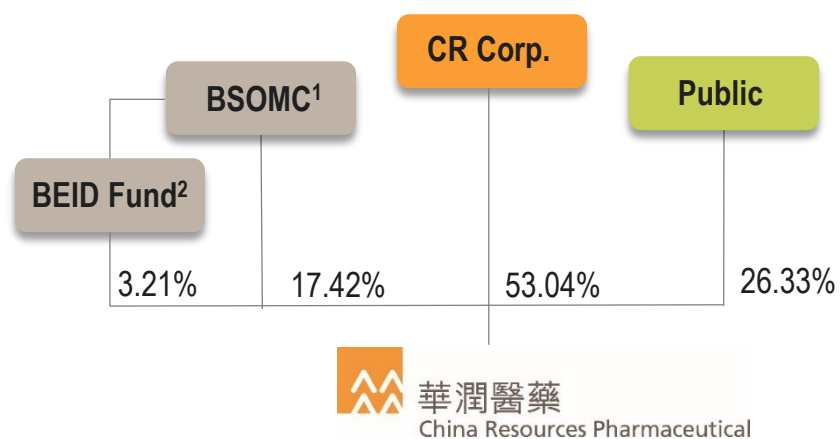
Financial Review

Corporate Overview

Principal Business

- A leading integrated pharmaceutical company in China
- Principally engaged in the manufacture, distribution and retail of pharmaceutical and healthcare products

Shareholding Structure



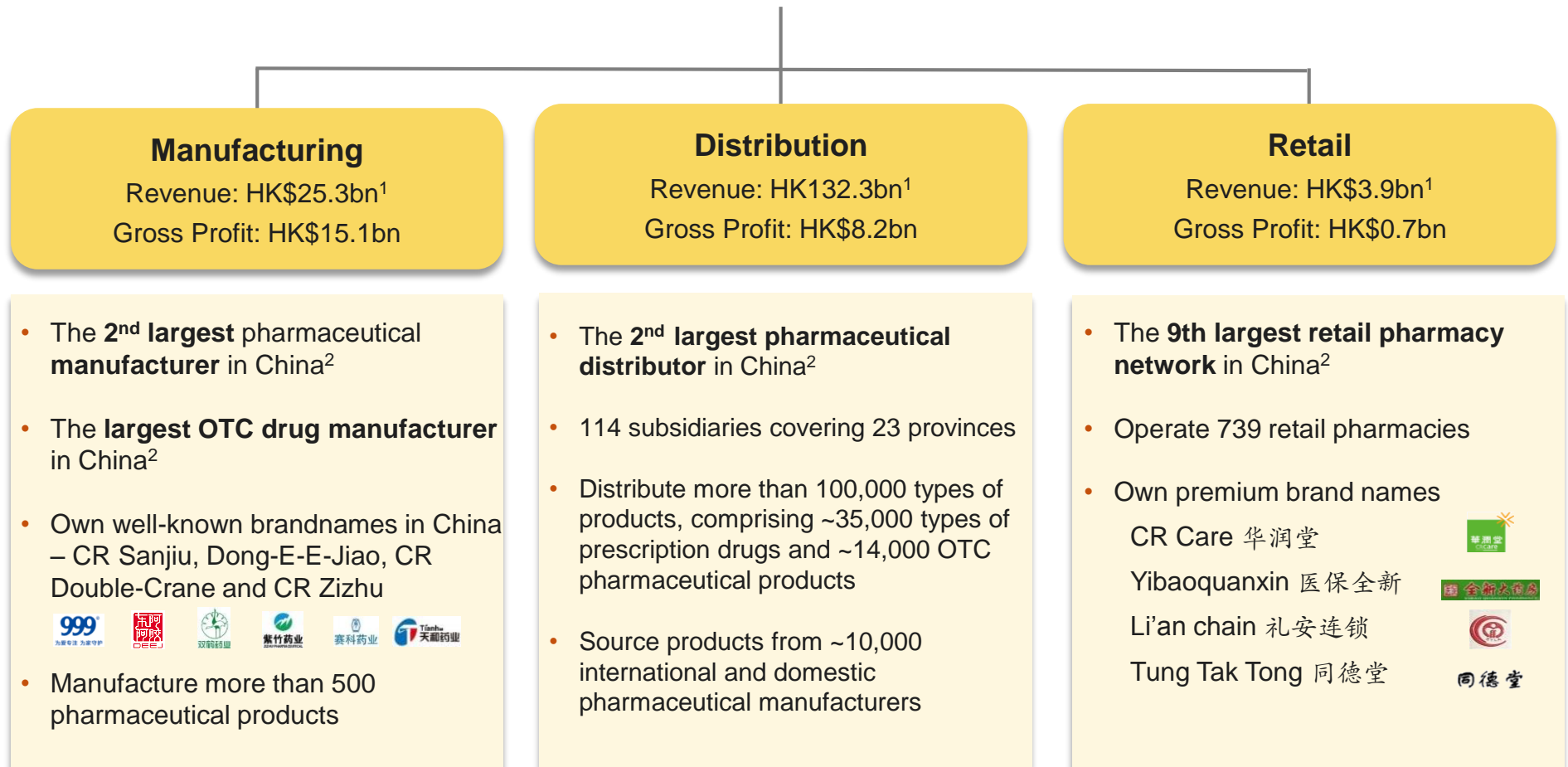
Share Information

- Listed on the SEHK on 28 Oct 2016 (stock code: 3320.HK)
- Issued shares: 6,285mn (as of 31 Dec 2016)
- Market cap: US\$6.97bn (as of 17 Mar 2017)
- Became a constituent stock of
 - **Hang Seng Composite LargeCap Index** (恒生綜合大型股指數); eligible for Southbound investor's trading under **Shanghai-Hong Kong Stock Connect** and **Shenzhen-Hong Kong Stock Connect**
 - **Hang Seng Mainland Healthcare Index** (恒生中國內地醫療保健指數)
 - **Hang Seng Healthcare Index** (恒生醫療保健指數)

¹ Beijing State-Owned Capital Operations and Management Centre (BSCOMC) is owned by Beijing SASAC

² BEID Fund is an offshore investment fund controlled by BEIDMCI Limited, which is a joint venture owned by Beijing SASAC and JP Morgan Asset Management Private Equity (China) Co., Ltd.

Business Overview



¹ Based on segment financials

² 2015 official statistics



Overview



2016 Highlights



Business Review



Financial Review

Solid Financial Performance

HK\$ mn	FY15	FY16	YoY
Revenue	146,568	156,705	6.9%
Gross Profit	23,199	24,109	3.9%
Operating Profit	8,922	9,001	0.9%
Net Profit Attributable to Shareholders	2,850	2,821	-1.0%
EPS (HK\$)	0.62	0.57	

International Cooperation Brings Business Opportunities

FUJIFILM

CR Group and Fujifilm agreed to form a Business Alliance to jointly explore business opportunities in the healthcare market in China

- Distribute Fujifilm's healthcare products in China via China Resources network
- Explore business development opportunities of pharmaceutical products including biosimilars, regenerative medicine products
- Explore the feasibility of Traditional Chinese medicine upgrade and global sales



CR Sanjiu and Sanofi agreed to form a Strategic Cooperation

- Form a JV to explore opportunities in pediatric and gynecological OTC drugs
- Distribute Sanofi's flagship liver healthcare product – Essentiale (易善复) – in China
- CR Sanjiu was granted the right of first negotiation with Sanofi in respect of the distribution and promotion of products under certain consumer healthcare brands of Sanofi in the future



M&A Drives Long-Term Growth

Bio-pharmaceutical

- CR Pharm entered into the insulin segment by acquiring 20% stake in Tian Mai (天麦生物)
- Tian Mai is a biopharmaceutical company focusing on R&D in insulin products

Chemical Medicine

- CR Double-Crane acquired 100% stake in Hainan Zhong Hua Lian He Pharmaceutical (海南中化联合)
- Zhong Hua Lian He focuses on the manufacture of alimentary tract, anti-infective and anti-tumor drugs

Chinese Medicine

- CR Sanjiu acquired Sheng Huo Pharma (圣火) that enriched the cardiovascular product line
- CR Sanjiu acquired 65% of Jin Fu Kang (金富康) which has enhanced its product line of anti-tumor drugs

Distribution

- CR Pharm has added its distribution coverage in 4 provinces, i.e. Yunan, Chongqing, Guangxi and Sichuan
- CR Pharm coverage expanded to 23 provinces by the end of 2016

Non-controlling Interest

- In 2016, CR Pharm directly acquired 4.66% stake of Dong-E-E-Jiao (东阿阿胶)
- In Jan 2017, the Group further acquired ~2.2mn shares of Dong-E-E-Jiao, that increased its direct stakes in Dong-E-E-Jiao to 5%. The Group controls in aggregate 28.14% stake

Business Strategies



Enrich our product portfolio to generate sustainable growth of the manufacturing business

Manufacturing

Distribution



Expand the distribution coverage and offer innovative service to customers



Optimize innovative R&D capabilities; anchor a strategic position in the biopharmaceutical sector

Research & Development

Mergers & Acquisitions



Accelerate growth through strategic acquisitions to further solidify our leadership positions



Enhance cooperation with leading multinational corporations to strengthen our competitiveness

International Co-operation

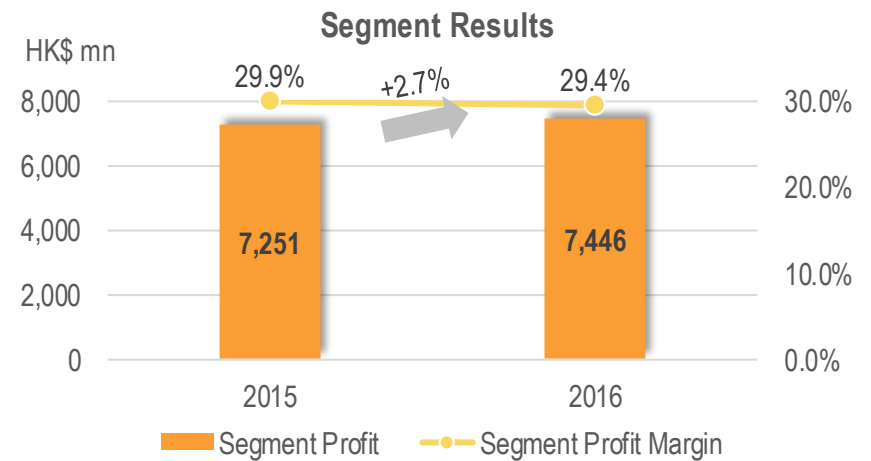
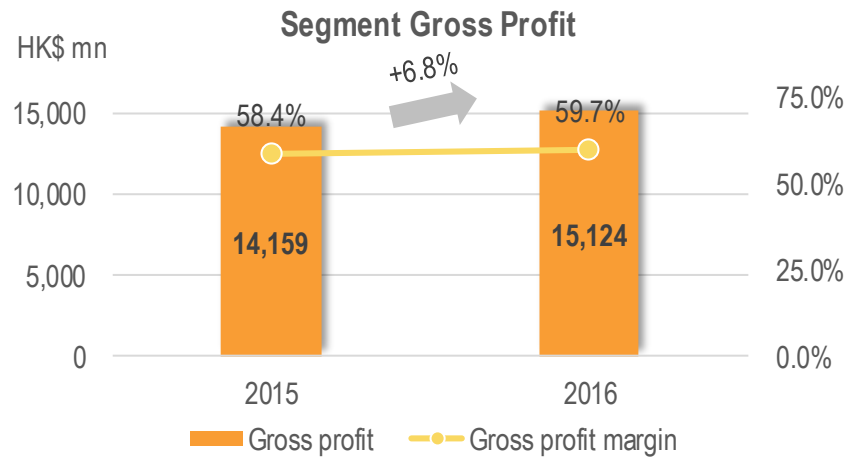
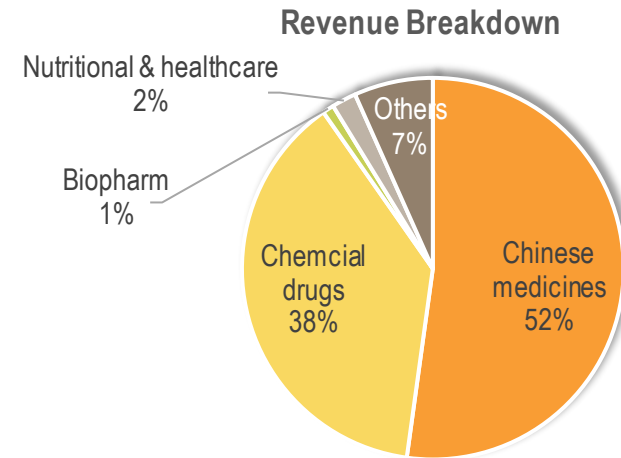
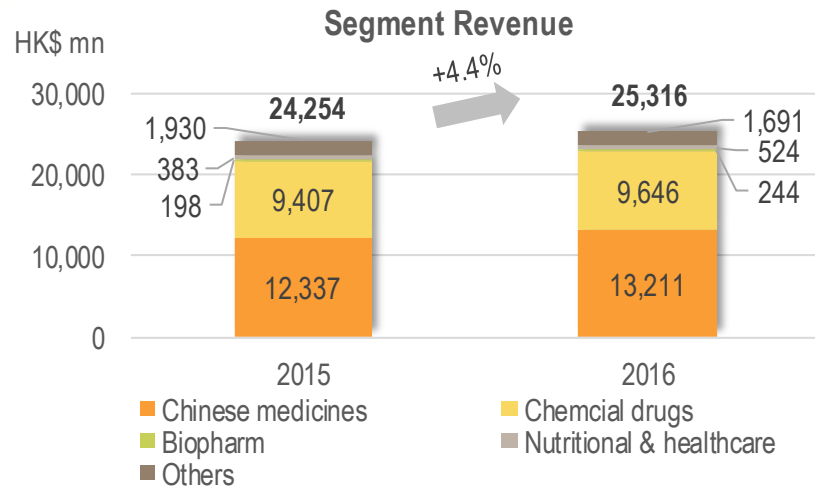
Integrated Operations



Optimize resource allocation and elevate operational efficiency

-
- I Overview
 - II 2016 Highlights
 - III Business Review**
 - IV Financial Review

Manufacturing Business



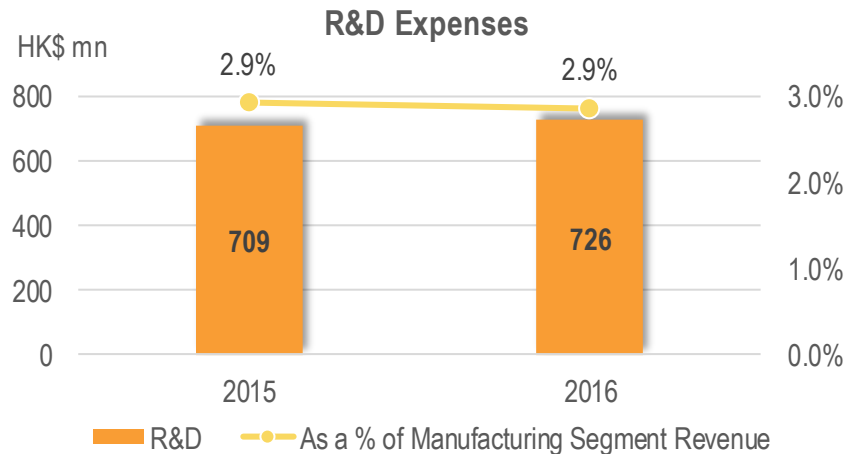
Segment Results = Gross Profit – Selling Expenses

Comprehensive Product Portfolio

- Manufacture a diversified portfolio of products across therapeutic areas, including cardiovascular, cold remedies, anti-infective, alimentary tract, dermatology, pediatric
- As of 31 Dec 2016, we manufactured more than 500 drugs of which ~300 were on the NRDL. More than 20 products were added into the new NDRL released in Feb 2017, including Radix Notoginseng Saponin (血塞通), Pitavastatin Calcium tablets (匹伐他汀), Kelisu (珂立苏)
- In FY16, 32 products in the portfolio generated more than HK\$100 million turnover, among which 6 products generated more than HK\$1 billion turnover
- Manufacture a portfolio of award-winning products with strong brand names



Integrated Research and Development Platform

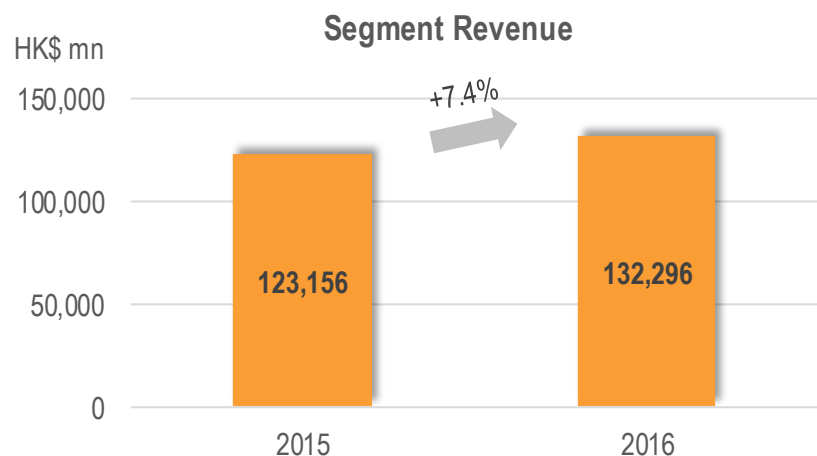


- R&D expenses amounted to HK\$726mn, representing 2.9% of manufacturing revenue in FY16
- As of 31 Dec 2016, 210 projects under our R&D programs, of which 32 pending CFDA's registration approval
- In 2016, 44 patents obtained, 26 products approved by CFDA for clinical trials, 2 products approved by CFDA for production and 1 product approved in ANDA by FDA
- Established collaborations with leading R&D organizations, including National Center for Nanoscience and Technology, Institute of Materia Medica PUMC, WuXi AppTech

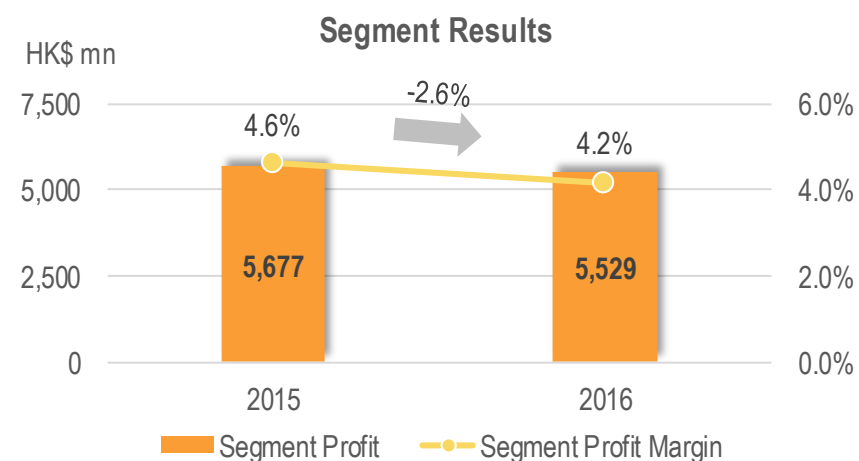
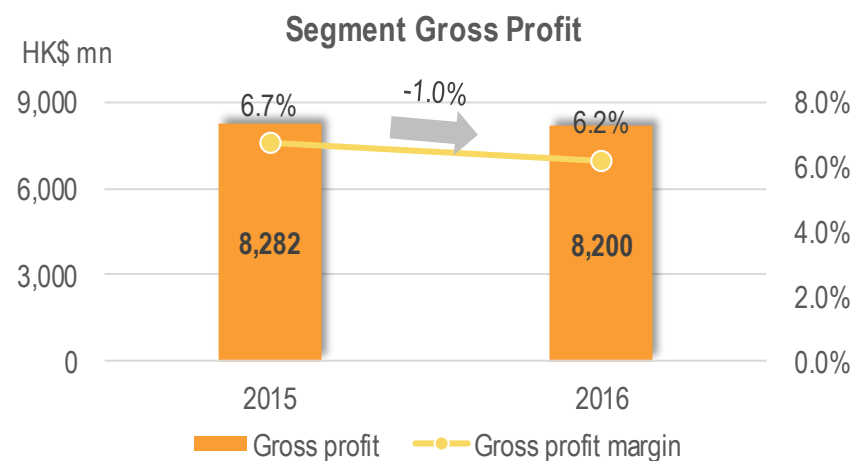
“131+N” Integrated R&D Platform

- **1** Management Center
- **3** Technology Centers
- **1** Innovation R&D Institutions
- **Numerous** jointly-cooperated labs
- **Adopt an Innovative Model**
- **Accelerate External Cooperation**
- **Strengthen Product Pipeline**

Distribution Business

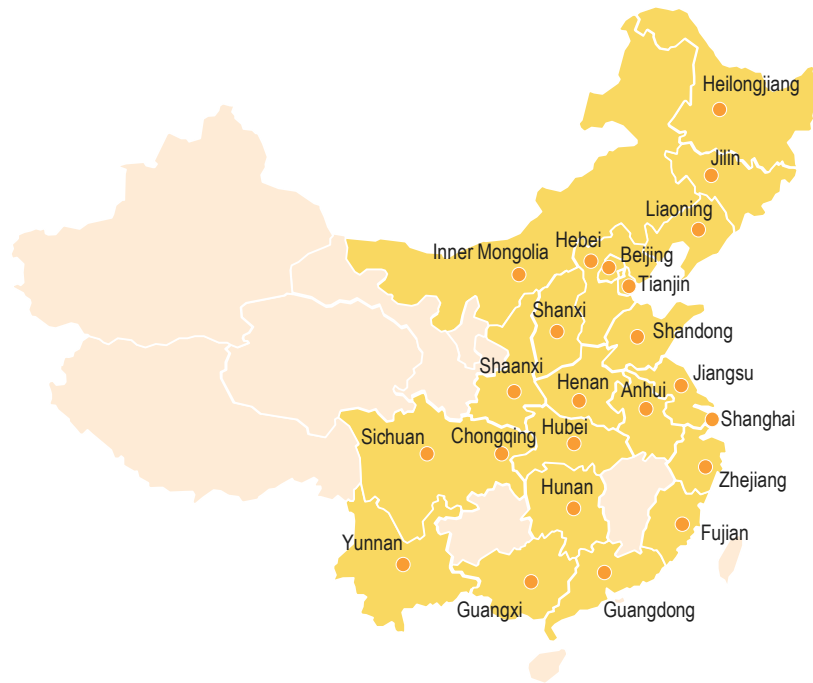


- Distribution revenue increased by 7.4% YoY to HK\$132.3bn, mainly attributable to the increase in depth and width of our distribution network
- As of 31 Dec 2016, covered more than 40,000 hospitals & medical institutions, of which >4,000 were Class II and III hospitals



Expanding Network with Innovative Business Model

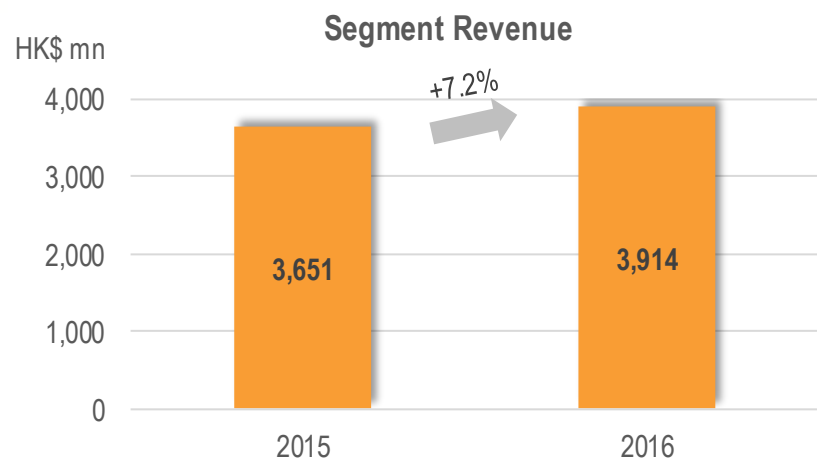
- Expanded the breath of distribution coverage by entering into 4 provinces, i.e. Yunnan, Guangxi, Sichuan and Chongqing, after the completion of its IPO; increased the depth of coverage by enhancing penetration to lower-tier cities. Target to achieve national coverage by 2020
- As of 31 Dec 2016, operated 118 subsidiaries in China, providing efficient and professional service to more than 64,000 customers, and established long-term relationship with around 10,000 suppliers



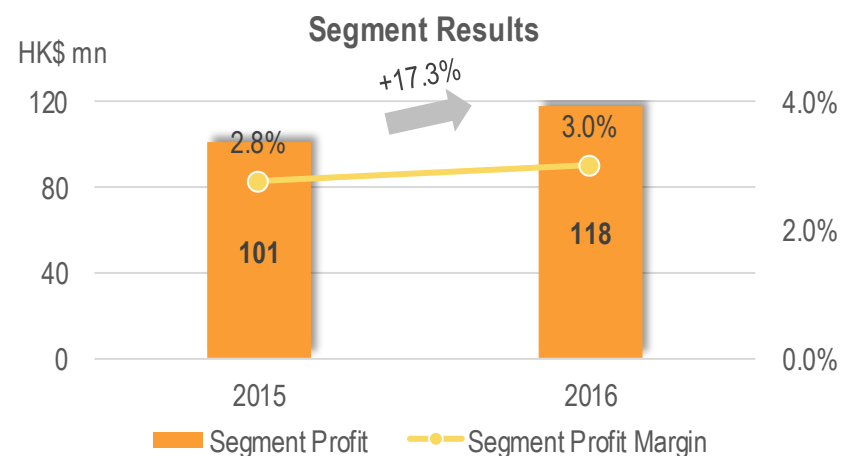
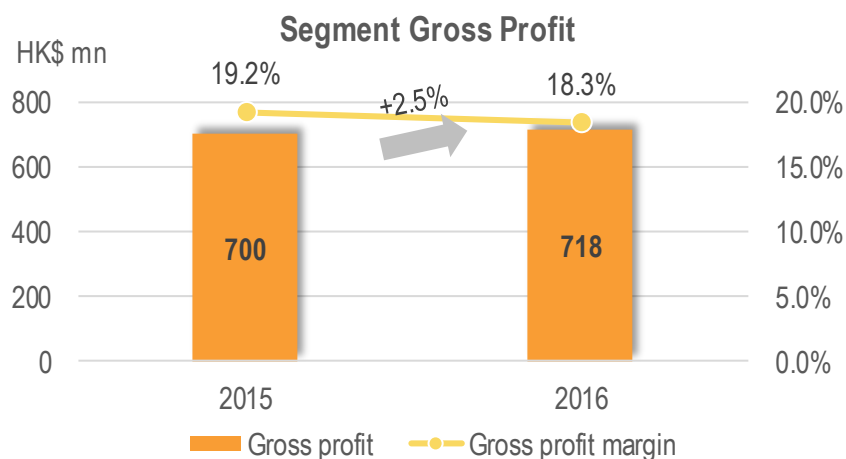
Innovative Business Model

- Continued to explore resources from upstream to optimize product portfolio; established platform focusing on medical device distribution
- Offered innovative value-added services to meet customers' needs, including:
 - Hospital Logistics Intelligence (HLI)
 - Network Hospital Logistics Intelligence (NHLI)
 - Centralized distribution service for hospitals

Retail Business

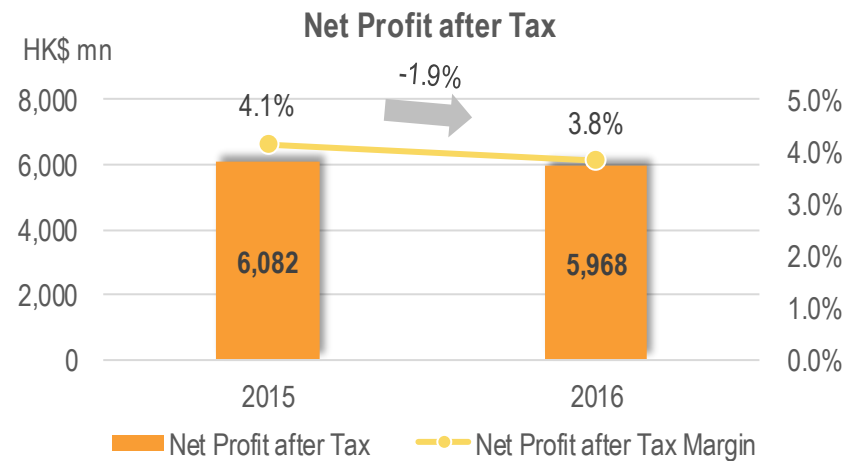
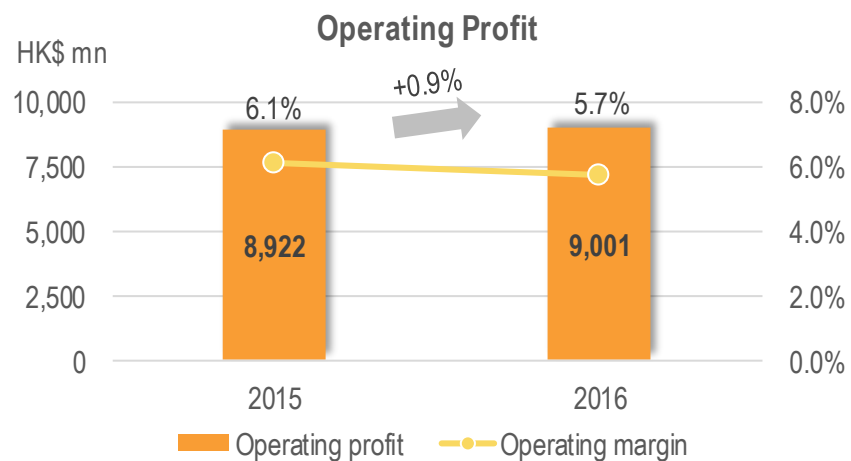
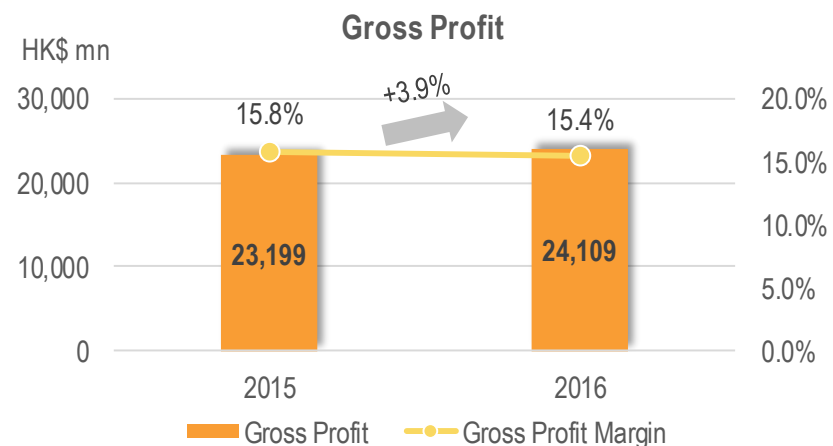
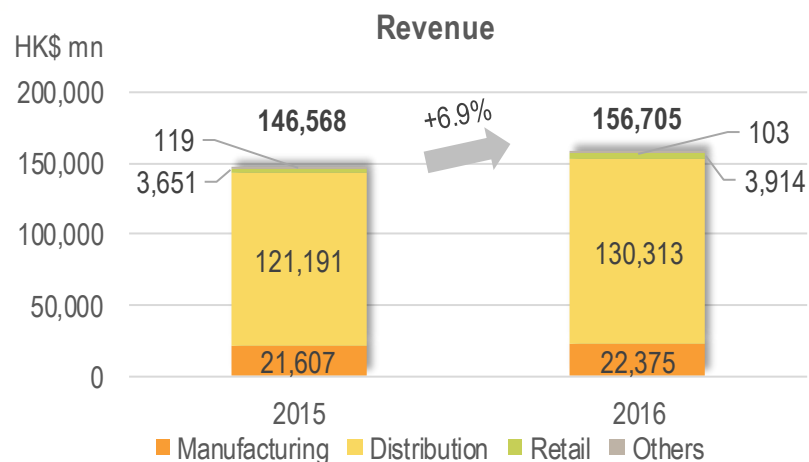


- Retail revenue increased by 7.2% YoY to HK\$3,914mn, mainly driven by the robust growth of Direct-to-Patient (DTP) business
- Established a retail business management platform to integrate the retail resources
- As of 31Dec 2016 , operated ~739 pharmacies, including 64 DTP pharmacies across 27 cities



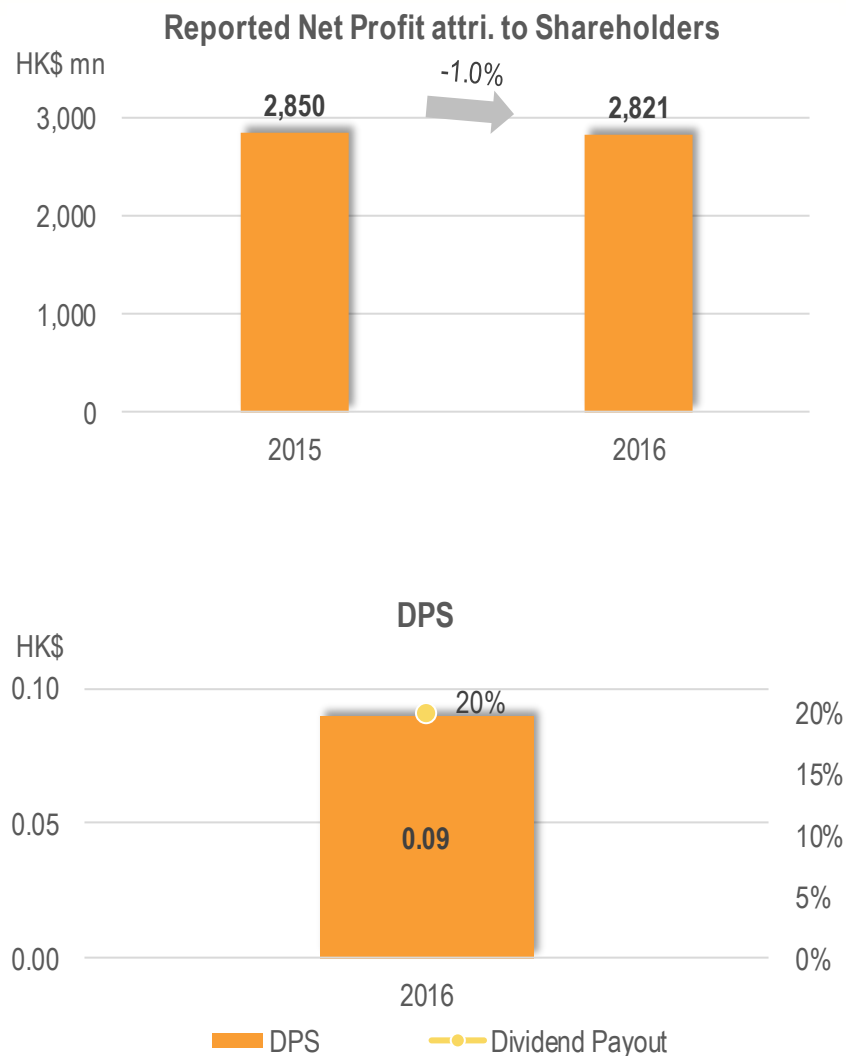
-
- I Overview
 - II 2016 Highlights
 - III Business Review
 - IV Financial Review**

FY16 Results Highlights



Operating profit = Pre-tax profit + finance expense – interest income – FX gain (loss) – other non-operating items

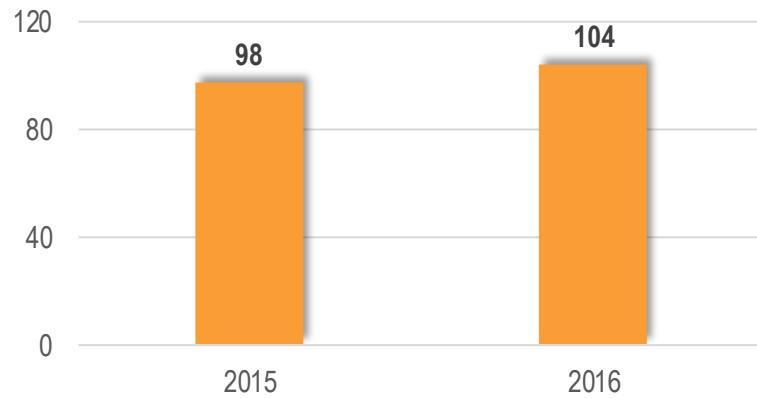
Robust Growth on Recurring Net Profit



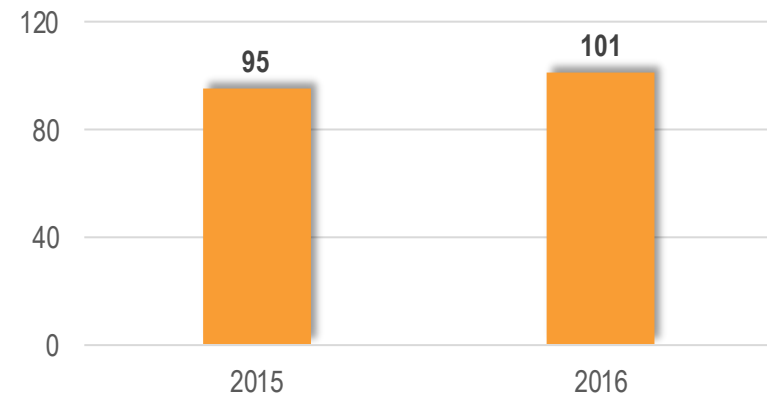
- FY16 reported net profit attributable to shareholders decreased slightly by 1.0% YoY
- The decrease in net profit was mainly attributed to the depreciation of RMB together with several one-off items recognized in FY15 and FY16:
 - Gain from disposal of non-core assets in FY15
 - Withholding tax expenses in FY16
 - Listing expenses in FY16
- Excluding the non-recurring items, the Group achieved a remarkable net profit growth in FY16
- Reported EPS of HK\$0.57
- Propose a dividend per share of HK\$0.09

Working Capital Turnover – Overall

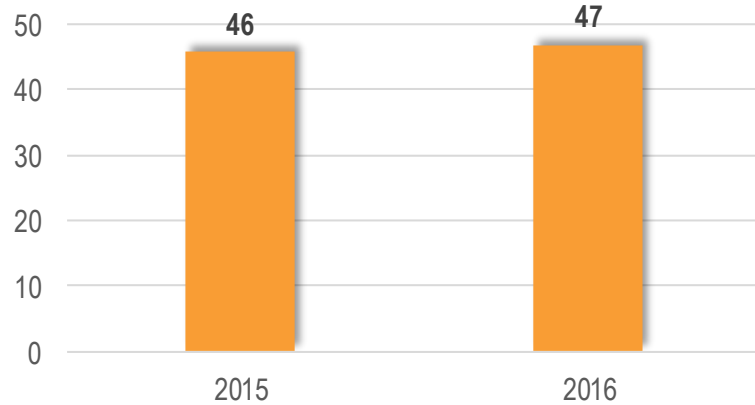
Trade Receivables Turnover Days



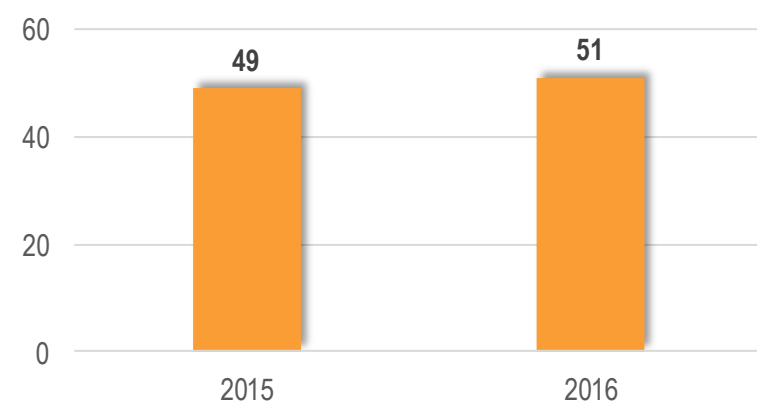
Trade Payables Turnover Days



Inventory Turnover Days



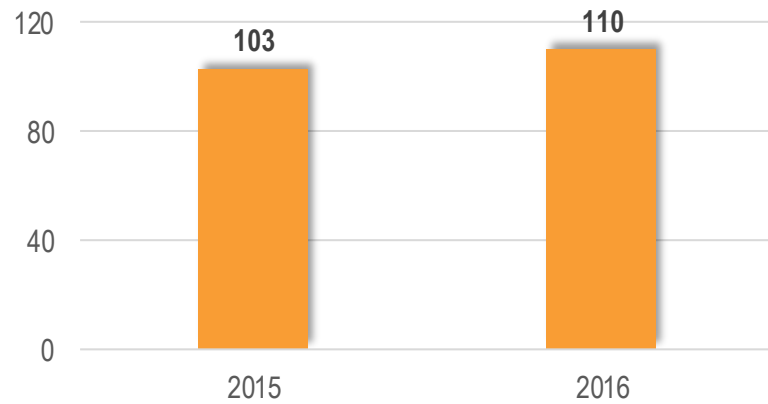
Cash Conversion Days



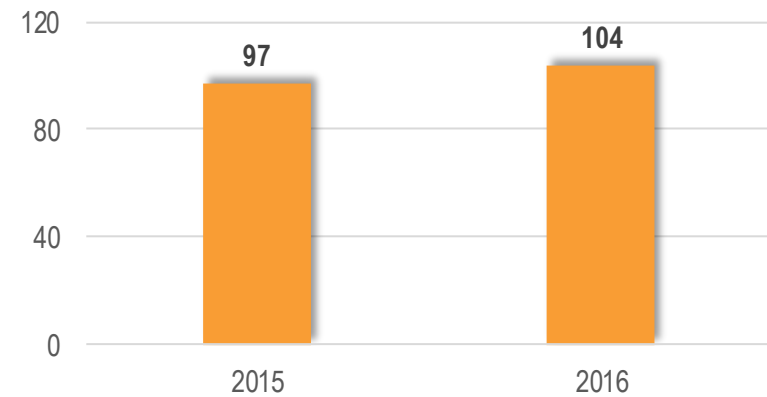
Accounts receivable and payable include bills receivable and payable

Working Capital Turnover – Distribution

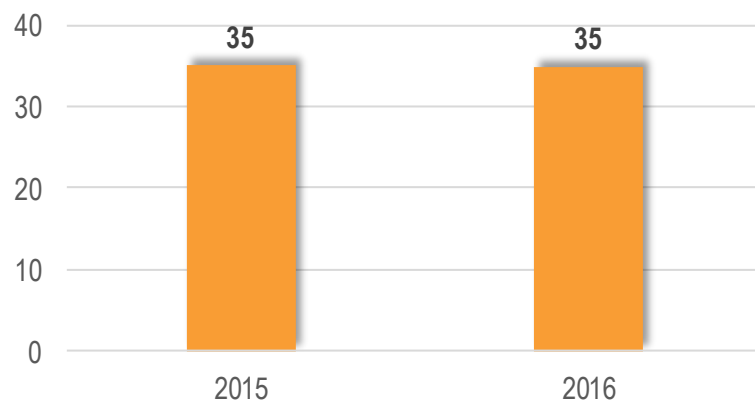
Trade Receivables Turnover Days



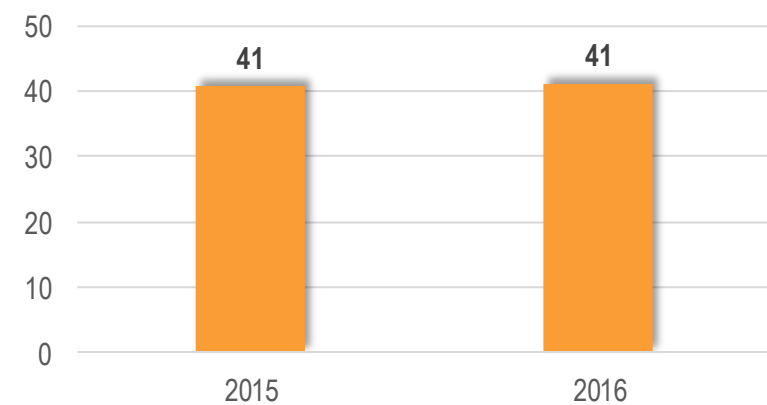
Trade Payables Turnover Days



Inventory Turnover Days

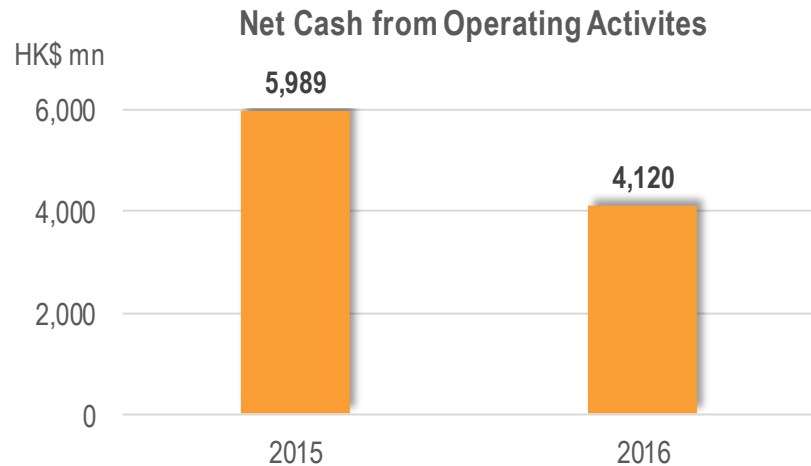


Cash Conversion Days

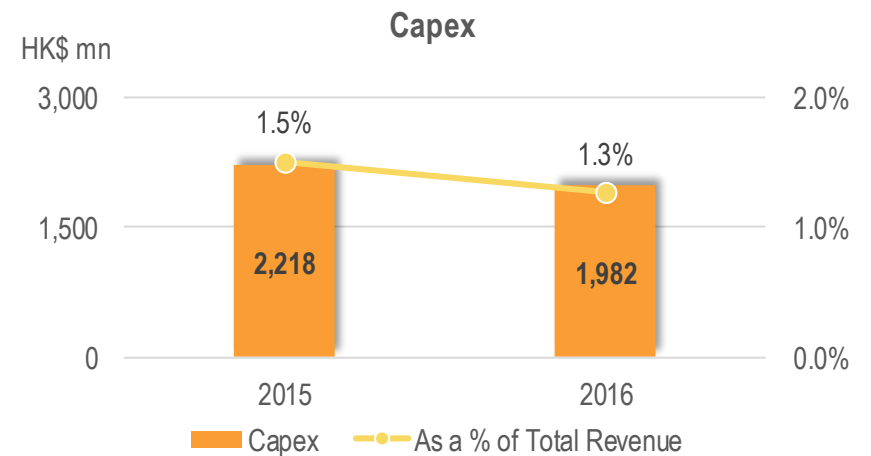
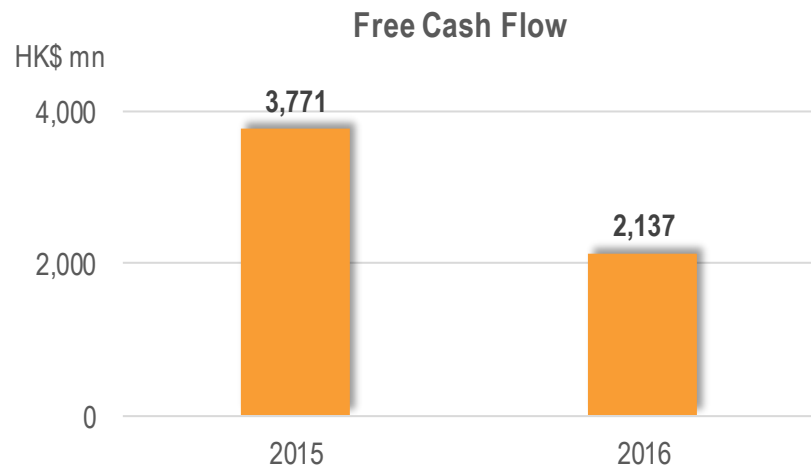


Accounts receivable and payable include bills receivable and payable

Cash Flow and Capex

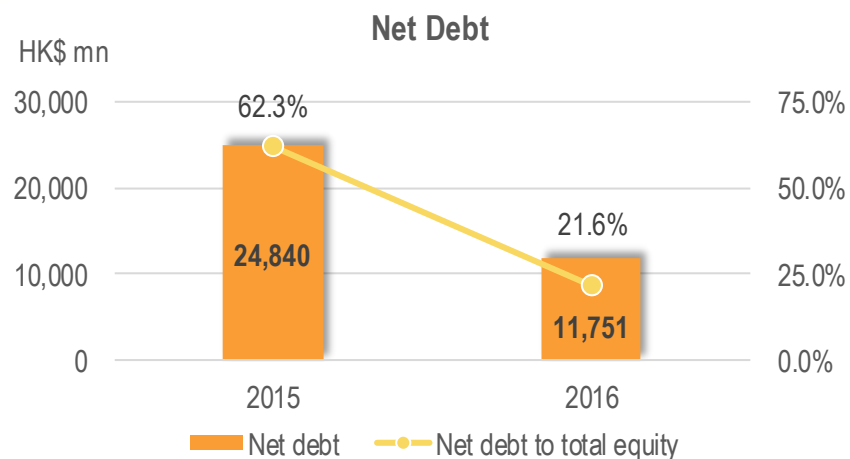


- Operating cash flow lowered to HK\$4.1bn in FY16, mainly due to the strategic increase in inventory of major raw materials in our manufacturing business
- Capex in FY16 was stable at HK\$2bn, mainly used for facility upgrade of manufacturing business, installation of HLI systems, and the improvement of logistic facilities

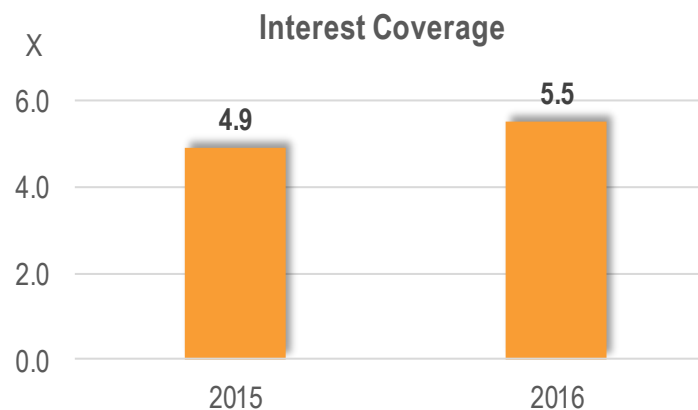
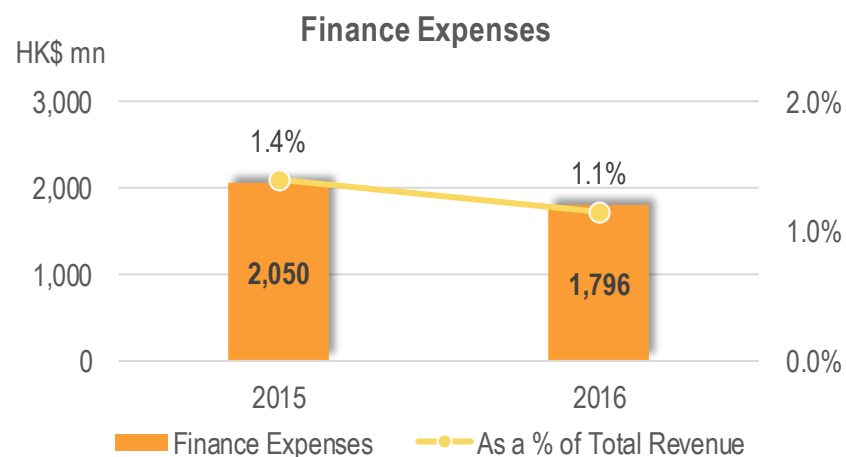


Free Cash Flow = Net Cash from Operating Activities – Capex

Gearing and Interest Coverage



- Net debt-to-total capital ratio significantly decreased from 62.3% in FY15 to 21.6% to FY16
- Finance expenses decreased by 12.4% to HK\$1,796mn and finance expenses-to-revenue lowered by 0.3ppt in FY16, mainly attributed to lower effective interest rate from optimized debt structure



Q&A

Appendix 1: Income Statement Highlights

HK\$ mn	FY15	FY16	YoY
Revenue	146,568	156,705	6.9%
Gross Profit	23,199	24,109	3.9%
Gross Profit Margin	15.8%	15.4%	
Operating Profit	8,922	9,001	0.9%
Operating Profit Margin	6.1%	5.7%	
Net Profit for the Company	6,082	5,968	-1.9%
Net Profit Attributable to Shareholders	2,850	2,821	-1.0%
Net Margin (Profit Attributable to Shareholders)	1.9%	1.8%	
EPS (HK\$)	0.62	0.57	

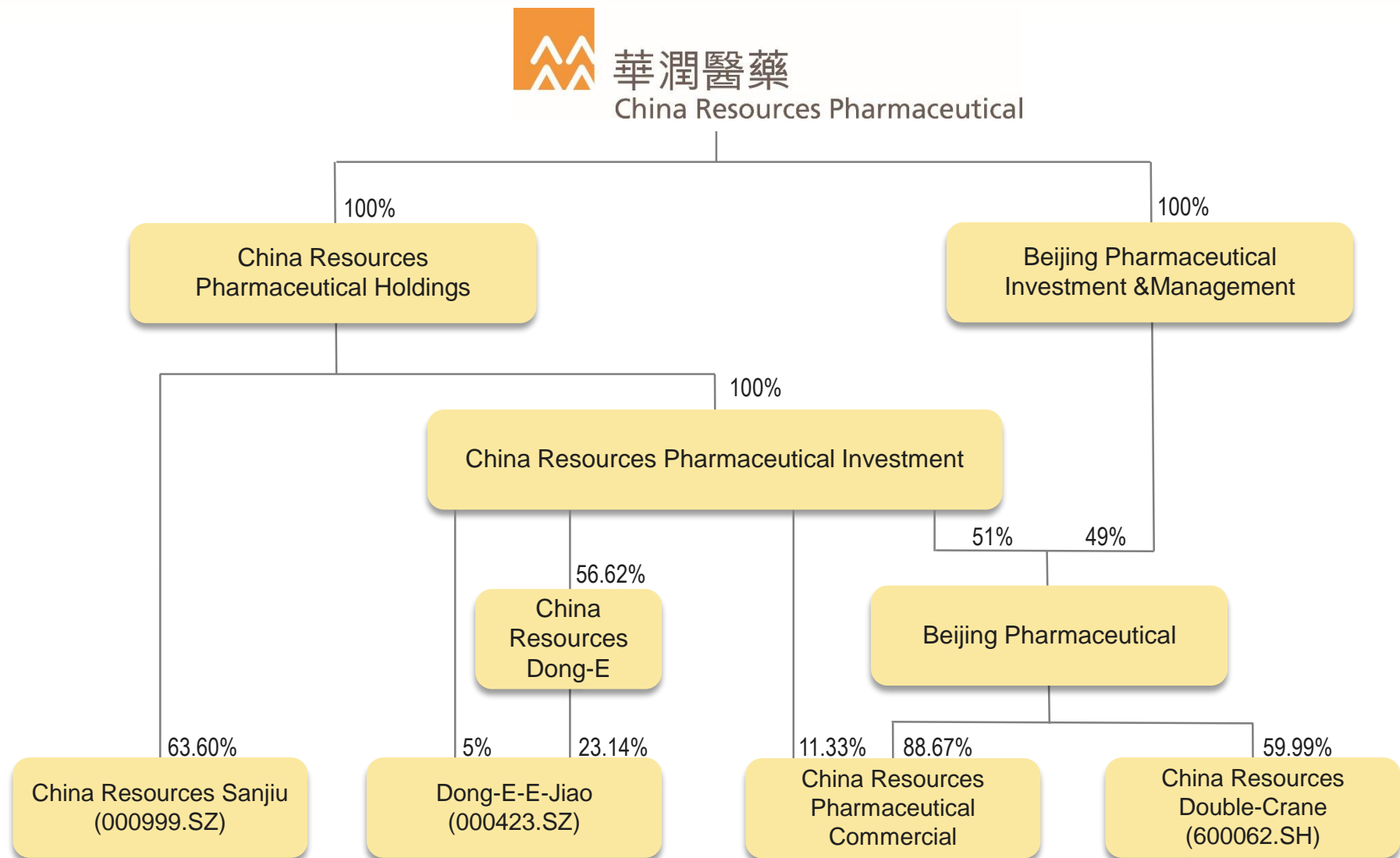
Appendix 2: Balance Sheet Highlights

HK\$ mn	FY15	FY16
Total assets	127,149	133,986
PPE	12,578	12,500
Goodwill	16,395	17,405
Trade receivable (net)	35,853	42,006
Inventories	15,252	18,859
Bank and cash	12,379	13,960
Total liabilities	87,303	79,684
Trade payable	22,990	25,710
Bank borrowings	28,983	15,762
Bonds payable	8,235	9,949
Total equity (incl. MI)	39,846	54,302
Shareholders' equity	22,502	37,620
Current ratio	1.2	1.3
Total debt	37,218	25,711
Net debt	24,840	11,751
Net debt / total equity	0.62	0.22

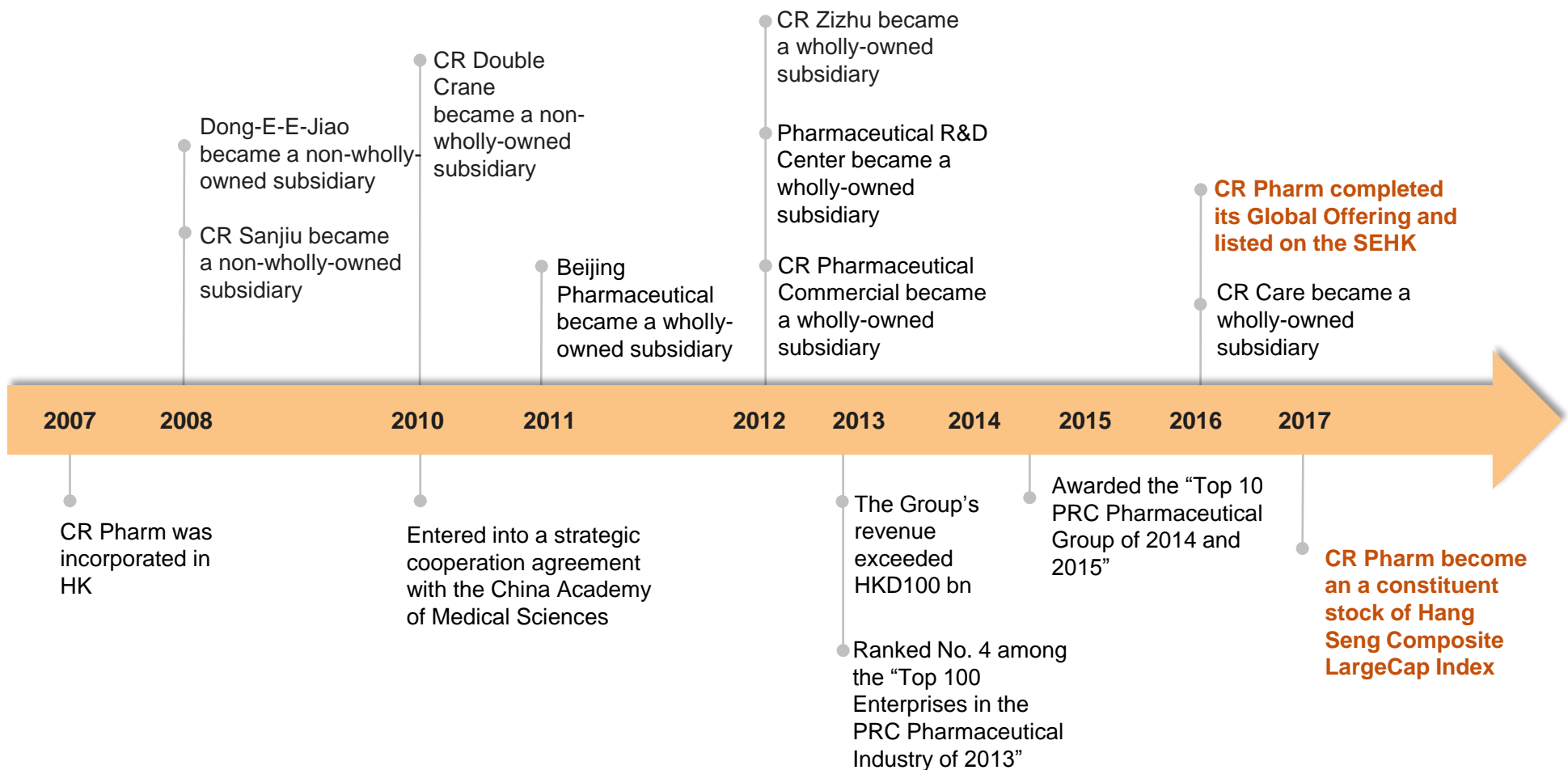
Appendix 3: Segmental Results

HK\$ mn	Manufacturing	Distribution	Retail	Others	Total
External Revenue	22,375	130,313	3,914	103	156,705
Segment results	7,446	5,529	118	68	13,162
Other income					1,288
Other gains & losses					251
Admin expenses					(3,882)
Other expenses					(957)
Share of results of associates					48
Listing expenses					(71)
Finance costs					(1,796)
Profit before tax					8,043

Appendix 4: Corporate Structure



Appendix 5: Development History



Appendix 6: Chinese Medicine & Nutritional Products

Major Product	Therapeutic Area	Major Product	Therapeutic Area
 <p>E-Jiao block (阿胶块) and compound E-Jiao syrup</p>	E-Jiao product series	 <p>the Tianhe-branded Gutong patch (骨通贴膏), Tianhe Zhuifeng ointment (天和追风膏), and the Zhuanggu product series (壮骨系列)</p>	Orthopedics
 <p>Ganmaoling (感冒灵) and Compound Ganmaoling (复方感冒灵), Qiangli Pipalu (强力枇杷露)</p>	Cold and cough remedies	 <p>Shenfu injection (参附注射液), Shenmai injection (参麦注射液) and Shengmai injection (生脉注射液)</p>	Cardiovascular system
 <p>The Zhengtian (正天) product series</p>	Headache	 <p>Huachansu (华蟾素) and Javanica oil soft capsule (鸦胆子油软胶囊)</p>	Oncology
 <p>Sanjiu Weitai (三九胃泰), Qizhi Weitong (气滞胃痛), and Yinzhihuang (茵栀黄)</p>	Alimentary tract and metabolism	 <p>A portfolio of Chinese medicine formula granules comprised of 694 products</p>	Chinese medicine formula granules (中药配方颗粒)
 <p>Xiao'er Ganmao granules (小儿感冒颗粒) and Xiao'er Zhike syrup (小儿止咳糖浆)</p>	Pediatrics	 <p>Taohuaji (桃花姬) is our flagship nutritional product, which is derived from our E-Jiao Chinese medicine product series</p>	Nutritional product

Appendix 7: Chemical Drugs

Major Product	Therapeutic Area	Major Product	Therapeutic Area
	Cardiovascular system		Anti-infectives
Compound Reserpine and Triamterene tablets (Hypertensive No. 0) (复方利血平氨苯蝶啶片(降压0号))		Cefazolin Sodium Pentahydrate for injection (Xintailin) (注射用五水头孢唑林钠 (新泰林))	
	Cardiovascular system		Nephrology
Amlodipine Besylate tablets (Yashida) (苯磺酸氨氯地平片(压氏达))		The peritoneal dialysis solution, or peritoneal dialysate	
	Cardiovascular system		Pediatrics
Valsartan capsules (Suiyue) (缬沙坦胶囊(穗悦)) and Valsartan-Hydrochlorothiazide tablets (Fu Suiyue) (缬沙坦氢氯噻嗪片(复穗悦)),		Calf Pulmonary Surfactant for injection (Kelisu) (注射用牛肺表面活性剂(珂立苏))	
	Cardiovascular system		Pediatrics
Pitavastatin Calcium tablets (Guanshuang) (匹伐他汀钙片(冠爽))		Pediatric Compound Amino Acid injection (小儿复方氨基酸注射液)	
	Alimentary tract and metabolism (Anti-diabetes)		Reproductive Health
Gliquidone tablets (Tangshiping) (格列喹酮片(糖适平)) Metformin Sustained-release tablets (Buke) (二甲双胍缓释片(卜可))		Levonorgestrel tablets (左炔诺孕酮片), branded as Yuting and Golden Yuting	
	Large-volume IV infusion		Dermatological Products
Five basic types of IV solution container systems, namely glass bottle, plastic bottle, flexible bag, standing bag and BFS		Compound Dexamethasone Acetate cream (Piyanping) (复方醋酸地塞米松乳膏(皮炎平)) product series	